

**CITY OF WOODBINE**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

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**City of Woodbine**

**Officials**

<u>Name</u>	<u>Title</u> <b>(Before January 2012)</b>	<u>Term Expires</u>
William Hutcheson	Mayor	January 2012
Noel Sherer	Council Member	January 2012
Robert Stephany	Council Member	January 2012
James Andersen	Council Member	January 2014
Brenda Loftus	Council Member	January 2014
Nancy Yarbrough	Council Member	January 2014

<u>Name</u>	<u>Title</u> <b>(After January 2012)</b>	<u>Term Expires</u>
William Hutcheson	Mayor	January 2014
James Andersen	Council Member	January 2014
Brenda Loftus	Council Member	January 2014
Nancy Yarbrough	Council Member	January 2014
Noel Sherer	Council Member	January 2016
Randy Vandemark	Council Member	January 2016

Joe Gaa	City Administrator	Indefinite
Lois Surber	City Clerk/Treasurer	Indefinite
Joseph Lauterbach	Attorney	Indefinite

**City of Woodbine**

November 18, 2012

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Woodbine's management. Our responsibility is to express opinions on these financial statements based on our audit.

The financial statements of the discretely presented component unit were audited by another auditor who expressed an unqualified opinion on those financial statements in his report dated July 25, 2012. Our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011.

Continued...

Independent Auditors' Report  
City of Woodbine

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1. The financial statements of the discretely presented component unit were audited by an other auditor who expressed an unqualified opinion on those financial statements in his report dated July 25, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2012 on our consideration of the City of Woodbine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Woodbine's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2010, 2008, and 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the financial statements for the years ended June 30, 2011, 2009, 2007 and 2005, and do not express an opinion on those financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Woodbine's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 30 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Schaefer & Associates, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Woodbine provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

The financial statements of the City's component unit, the Woodbine Municipal Light and Power, are issued under separate cover. Please refer to those financial statements for additional information.

### 2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased approximately \$374,000 for fiscal 2011 to fiscal 2012. Property taxes increased \$111,000, operating grants increased \$337,000, and tax increment financing collections decreased \$67,000.
- Disbursements decreased \$22,000 in fiscal 2012 from fiscal 2011. Public safety increased \$283,000. Public works decreased \$215,000, and community and economic development decreased \$158,000.
- The City's total cash basis net assets increased \$1,225,000 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased \$1,129,000 and the assets of the business type activities increased by \$96,000. Governmental activities increased \$1,014,000 for net bond proceeds received at year end.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and gas. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and gas funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$352,000 to \$1,480,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)			
	Year Ended June 30,		
	2012	2011	
Receipts			
Program receipts:			
Charges for service	\$ 67	\$ 62	
Operating grants, contributions and restricted interest	975	638	
General receipts:			
Property tax	680	569	
Tax increment financing collections	37	104	
Local option sales tax	93	83	
Grants and contributions not restricted to specific purposes	1	1	
Unrestricted interest on investments	2	4	
Miscellaneous	16	36	
Total receipts	1,871	1,497	
Disbursements			
Operating:			
Public safety	532	249	
Public works	208	423	
Health and social services	-	3	
Culture and recreation	196	170	
Community and economic development	501	659	
General government	174	132	
Debt service	146	143	
Total disbursements	1,757	1,779	
Change in cash basis net assets before other financing sources	114	(282)	
Other financing sources	1,014	168	
Change in cash basis net assets	1,128	(114)	
Cash basis net assets, beginning of year	352	466	
Cash basis net assets, end of year	\$ 1,480	\$ 352	

The City's total receipts governmental activities increased approximately \$1,220,000. The significant increase in receipts was grant receipts for the downtown master facade and fire department improvements, and net bond proceeds of approximately \$1,014,000.

The cost of all programs decreased approximately \$22,000.

According to the Statement of Activities, the cost of all governmental activities were subsidized by charges, operating and capital grants, contributions and restricted interest totaling \$1,042,645. The remaining portion of \$714,436 was financed with general receipts, which includes property taxes, and unrestricted grants and interest.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30, 2012	Year Ended June 30, 2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 202	198
Sewer	109	107
Gas	458	555
General receipts:		
Unrestricted interest on investments	2	3
Miscellaneous	42	39
Total receipts	<u>813</u>	<u>902</u>
Disbursements:		
Water	171	137
Sewer	65	112
Gas	481	592
Total disbursements	<u>717</u>	<u>841</u>
Change in cash basis net assets before transfers	96	61
Transfers, net	<u>-</u>	<u>(16)</u>
Change in cash basis net assets	96	45
Cash basis net assets, beginning of year	<u>707</u>	<u>662</u>
Cash basis net assets, end of year	<u>\$ 803</u>	<u>707</u>

Total business type activities receipts for the fiscal year were \$813,000, compared to \$902,000 last year. The cash balance increased by approximately \$96,000 from the prior year. Total disbursements were \$717,000, compared to \$841,000 last year.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Woodbine completed the year, its governmental funds reported a combined fund balance of \$1,480,605, an increase of \$1,128,680 from last year's balance of \$351,925. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by \$31,488 from the prior year to \$217,442. The decrease was primarily due to increased expenditures, primarily for grant matching funds.
- The Debt Service Fund cash balance increased \$6,835 from the prior year to \$9,440.
- The Capital Projects Fund increased \$1,011,818 from the prior year to \$1,093,102. The increase was due to the issuance of bond proceeds at the end of the fiscal year for a street construction project to be completed in the next fiscal year.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$33,394 to \$269,480 due to fewer disbursements than receipts.
- The Sewer Fund cash balance increased by \$47,002 to \$118,964 due to fewer disbursements than receipts.
- The Gas Fund cash balance increased \$16,049 to \$414,362 due to a slight rate increase and fewer disbursements than receipts.

## BUDGETARY HIGHLIGHTS

The City amended its budget one time to increase budgeted disbursements by \$1,070,000 for costs for anticipation of increased receipts and disbursements related to expected grants. Receipts were approximately \$216,000 less than budgeted due to over budgeting grant monies for capital projects. Disbursements in total were approximately \$892,000 less than budgeted due to a budgeting cushion.

## DEBT ADMINISTRATION

At June 30, 2012, the City had \$1,790,000 in general obligation and revenue debt compared to \$901,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30, 2012	2011
General obligation bonds and notes	\$ 1,790	\$ 855
Interim revenue debt	-	46
	<u>\$ 1,790</u>	<u>\$ 901</u>

The City's outstanding general obligation debt of \$1,790,000 is below its constitutional debt limit of \$3,200,000.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Woodbine City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees charged for various City activities. These include the following:

- a. Façade master plan project.
- b. Fire station expansion project
- c. Planning for street improvements.
- d. Planning for infrastructure improvements.
- e. Staff succession planning.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lois Surber, City Clerk, 517 Walker, Woodbine, Iowa.

**City of Woodbine**  
**Basic Financial Statements**

City of Woodbine  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2012

			Program Receipts
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
Governmental activities:			
Public safety	\$ 532,474	699	325,313
Public works	207,878	43,253	176,552
Culture and recreation	195,674	20,520	69,016
Community and economic development	501,152	-	365,592
General government	173,651	2,797	38,903
Debt service	146,252	-	-
Total governmental activities	1,757,081	67,269	975,376
Business type activities:			
Water	170,917	201,658	-
Sewer	64,877	108,996	-
Gas	481,424	458,428	-
Total business type activities	717,218	769,082	-
Total	\$ 2,474,299	836,351	975,376
<b>Component Unit:</b>			
Electric utility	\$ 1,253,410	1,311,532	-
<b>General Receipts:</b>			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Sale of assets			
Bond proceeds net of discount			
Advanced debt refunding			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
<b>Cash Basis Net Assets</b>			
Restricted:			
Expendable:			
Debt service			
Capital projects			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements

Net (Disbursement) Receipts and Changes in Cash Basis Net Assets			
Governmental Activities	Business Type Activities	Primary Government Total	Component Unit Electric Utility
(206,462)	-	(206,462)	-
11,927	-	11,927	-
(106,138)	-	(106,138)	-
(135,560)	-	(135,560)	-
(131,951)	-	(131,951)	-
(146,252)	-	(146,252)	-
(714,436)	-	(714,436)	-
-	30,741	30,741	-
-	44,119	44,119	-
-	(22,996)	(22,996)	-
-	51,864	51,864	-
(714,436)	51,864	(662,572)	-
-	-	-	58,122
\$ 528,137	-	528,137	-
151,230	-	151,230	-
36,964	-	36,964	-
93,165	-	93,165	-
1,253	-	1,253	-
2,418	2,289	4,707	5,026
15,655	42,292	57,947	-
619	-	619	-
1,758,675	-	1,758,675	-
(745,000)	-	(745,000)	-
1,843,116	44,581	1,887,697	5,026
1,128,680	96,445	1,225,125	63,148
351,925	706,361	1,058,286	728,216
\$ 1,480,605	802,806	2,283,411	791,364
\$ 9,440	-	9,440	-
1,093,102	-	1,093,102	-
160,621	-	160,621	-
217,442	802,806	1,020,248	791,364
\$ 1,480,605	802,806	2,283,411	791,364

City of Woodbine  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2012

	General	Debt Service	Capital Projects
Receipts			
Property tax	\$ 435,030	-	-
Tax increment financing collections	-	-	-
Other city tax	-	-	-
Licenses and permits	2,797	-	-
Use of money and property	2,483	-	-
Intergovernmental	676,368	151,230	-
Charges for service	64,090	-	-
Special assessments	382	-	-
Miscellaneous	177,463	-	-
Total receipts	<u>1,358,613</u>	<u>151,230</u>	<u>-</u>
Disbursements			
Operating:			
Public safety	532,474	-	-
Public works	207,878	-	-
Culture and recreation	195,674	-	-
Community and economic development	477,081	-	-
General government	173,651	-	-
Debt service	-	146,252	-
Total disbursements	<u>1,586,758</u>	<u>146,252</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(228,145)	4,978	-
Other financing sources (uses):			
Sale of capital assets	619	-	-
Bond proceeds net of discount	-	746,857	1,011,818
Advance debt refunding	-	(745,000)	-
Operating transfers in	196,038	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>196,657</u>	<u>1,857</u>	<u>1,011,818</u>
Net change in cash balances	(31,488)	6,835	1,011,818
Cash balances beginning of year	<u>248,930</u>	<u>2,605</u>	<u>81,284</u>
Cash balances end of year	<u>\$ 217,442</u>	<u>9,440</u>	<u>1,093,102</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	\$ -	9,440	-
Capital projects	-	-	1,093,102
Other purposes	-	-	-
Unassigned	<u>217,442</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 217,442</u>	<u>9,440</u>	<u>1,093,102</u>

See notes to financial statements



**Exhibit B**

Other Nonmajor Governmental Funds	Total
93,107	528,137
36,964	36,964
93,165	93,165
-	2,797
-	2,483
138,388	965,986
-	64,090
-	382
-	177,463
<u>361,624</u>	<u>1,871,467</u>
-	532,474
-	207,878
-	195,674
24,071	501,152
-	173,651
-	146,252
<u>24,071</u>	<u>1,757,081</u>
337,553	114,386
-	619
-	1,758,675
-	(745,000)
-	196,038
<u>(196,038)</u>	<u>(196,038)</u>
<u>(196,038)</u>	<u>1,014,294</u>
141,515	1,128,680
<u>19,106</u>	<u>351,925</u>
<u>160,621</u>	<u>1,480,605</u>
-	9,440
-	1,093,102
160,621	160,621
-	217,442
<u>160,621</u>	<u>1,480,605</u>

City of Woodbine  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2012

	Enterprise Funds			
	Water	Sewer	Gas	Total
Operating receipts:				
Charges for service	\$ 201,658	108,996	458,428	769,082
Operating disbursements:				
Business type activities	<u>124,577</u>	<u>64,877</u>	<u>481,424</u>	<u>670,878</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	77,081	44,119	(22,996)	98,204
Non-operating receipts (disbursements):				
Interest on investments	230	230	1,829	2,289
Miscellaneous	2,423	2,653	37,216	42,292
Debt service	<u>(46,340)</u>	<u>-</u>	<u>-</u>	<u>(46,340)</u>
Total non-operating receipts	<u>(43,687)</u>	<u>2,883</u>	<u>39,045</u>	<u>(1,759)</u>
Net change in cash balances	33,394	47,002	16,049	96,445
Cash balances beginning of year	<u>236,086</u>	<u>71,962</u>	<u>398,313</u>	<u>706,361</u>
Cash balances end of year	\$ <u>269,480</u>	<u>118,964</u>	<u>414,362</u>	<u>802,806</u>
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ <u>269,480</u>	<u>118,964</u>	<u>414,362</u>	<u>802,806</u>

See notes to financial statements

**City of Woodbine**

City of Woodbine  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies**

The City of Woodbine is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and gas utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Woodbine has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Woodbine (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

**Discrete Component Unit**

Woodbine Municipal Light and Power is presented in a separate column to emphasize that it is legally separate from the city, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utility is governed by a three member board appointed by the City Council and its operating budget is subject to the approval of the City Council.

City of Woodbine  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies – Continued**

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City representatives are members of the following commissions: Harrison County Landfill Commission, Harrison County Emergency Management Commission, and the Public Energy Facilities Authority.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

City of Woodbine  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Gas Fund accounts for the operation and maintenance of the City's gas system.

**C. Measurement Focus and Basis of Accounting**

The City of Woodbine maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

City of Woodbine  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

City of Woodbine  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**F. Property Tax Calendar**

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2010, to compute the amounts which became liens on property on July 1, 2011. These taxes were due and payable in two installments on September 30, 2011 and March 31, 2012, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$2,283,411.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.



City of Woodbine  
Notes to Financial Statements  
June 30, 2012

**NOTE (3) Notes Receivable**

The City of Woodbine approved consumer financing for gas efficient furnaces, water heaters, gas log fireplaces, and gas dryers for 90% of cost, up to \$2,000. Consumers repay the loans over a 5 year period at zero interest rates through a monthly charge included on their utility billings. Financing transactions during the current fiscal year are as follows:

Beginning balance	\$ 81,833
Amounts financed	21,187
Payments received	<u>28,881</u>
Ending balance	\$ <u>74,139</u>

**NOTE (4) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation bonds and notes are as follows:

Year Ended June 30,	General Obligation Bonds and Notes	
	Principal	Interest
2013	\$ 120,000	\$ 44,783
2014	140,000	28,873
2015	145,000	22,930
2016	145,000	26,480
2017	150,000	19,980
2018-2022	765,000	75,236
2023-2024	<u>325,000</u>	<u>12,426</u>
Total	\$ <u>1,790,000</u>	\$ <u>230,708</u>

On June 8, 2012, the City issued \$1,790,000 in general obligation bonds for a street construction project and to refund the general obligation notes dated August 1, 2003, with a balance outstanding of \$745,000. The difference between the future cash flow requirements to service the old debt and the refunding portion of the new debt is approximately \$88,000 less.

Interest costs paid during the year ended June 30, 2012 totaled \$34,752.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$3,200,000 which was not exceeded during the year ended June 30, 2012.

City of Woodbine  
Notes to Financial Statements  
June 30, 2012

**NOTE (5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2012 was \$31,526, equal to the required contribution for the year.

**NOTE (6) Other Postemployment Benefits (OPEB)**

Plan description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There were 7 active members and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with TrueNorth. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$584 for single coverage and \$1,067 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, there were no plan members eligible for benefits.

**NOTE (7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation benefits payable to employees at June 30, 2012, primarily relating to the General Fund, is \$11,465. This liability is computed based on rates of pay as of June 30, 2012.

City of Woodbine  
Notes to Financial Statements  
June 30, 2012

**NOTE (8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General:	Special Revenue:	
	Road Use Tax	\$ 60,000
	Employee Benefits	93,107
	Local Option Sales Tax	<u>42,931</u>
		<u>\$ 196,038</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

**NOTE (9) Risk Management**

The City of Woodbine is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liabilities for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (10) Urban Renewal Tax Increment Financing Development Agreements**

Brookview Development Agreement

In March 2000, the City entered into an agreement with Brookview Development. The developer agreed to provide improvements to certain property within the City's Urban Renewal Area for the purpose of constructing housing units. In exchange, the City agreed to make urban renewal increment tax payments to the Developer semi-annually of eligible costs of approximately \$184,044. If tax increment financing collections are available, these payments will be made December 1 and June 1 of each fiscal year, beginning December 1, 2002 and continue for nine fiscal years or until the total has been paid. The City shall retain 37.29% of the urban renewal tax increment revenue for the purpose of providing assistance to low and moderate income (LMI) families, and pay the remaining 62.71% to the developer. The City paid the developer \$6,544 during the year.

Woodbine Industrial Park Urban Renewal Plan

In January 2012, the City amended the urban renewal plan that was established for economic development of the Industrial Park by deleting the expiration date. The urban renewal plan shall remain in effect until repealed by the City Council.

City of Woodbine  
Notes to Financial Statements  
June 30, 2012

**NOTE (10) Urban Renewal Tax Increment Financing Development Agreements - Continued**

Woodbine Community Betterment Corporation Development Agreement

In January 2012, the City entered into a development agreement with the Woodbine Community Betterment Corporation. The developer agreed to undertake the redevelopment and renovation of a historical building at 518 Lincoln Way, and the City agreed to provide tax increment payments not exceeding \$100,000.

Artisan LLC Development Agreements

In January 2012, the City entered into two separate agreements with Artisan LLC. The developer agreed to undertake the redevelopment of historical buildings at 63 5th Street and at 509 Walker Street. The City agreed to provide tax increment payments not exceeding \$14,000, and \$18,000, respectively.

**NOTE (11) Related Party Transactions**

The City of Woodbine had business transactions between the City and City officials totaling \$15,358 during the year ended June 30, 2012.

### **Other Information**

City of Woodbine  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Other Information  
 Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts			
Property tax	\$ 679,367	-	679,367
Tax increment financing collections	36,964	-	36,964
Other city tax	93,165	-	93,165
Licenses and permits	2,797	-	2,797
Use of money and property	2,483	2,289	4,772
Intergovernmental	814,756	-	814,756
Charges for service	64,090	769,082	833,172
Special assessments	382	-	382
Miscellaneous	177,463	42,292	219,755
Total receipts	<u>1,871,467</u>	<u>813,663</u>	<u>2,685,130</u>
Disbursements			
Public safety	532,474	-	532,474
Public works	207,878	-	207,878
Health and social services	-	-	-
Culture and recreation	195,674	-	195,674
Community and economic development	501,152	-	501,152
General government	173,651	-	173,651
Debt service	146,252	-	146,252
Business type activities	-	717,218	717,218
Total disbursements	<u>1,757,081</u>	<u>717,218</u>	<u>2,474,299</u>
Excess (deficiency) of receipts over (under) disbursements	114,386	96,445	210,831
Other financing sources, net	<u>1,014,294</u>	<u>-</u>	<u>1,014,294</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,128,680	96,445	1,225,125
Balances beginning of year	<u>351,925</u>	<u>706,361</u>	<u>1,058,286</u>
Balances end of year	<u>\$ 1,480,605</u>	<u>802,806</u>	<u>2,283,411</u>

See accompanying independent auditor's report

Budgeted Amounts		Final
Original	Final	to Total Variance
607,701	607,701	71,666
65,000	65,000	(28,036)
75,000	75,000	18,165
2,500	2,500	297
8,000	8,000	(3,228)
120,000	1,190,000	(375,244)
953,260	953,260	(120,088)
-	-	382
-	-	219,755
1,831,461	2,901,461	(216,331)
285,500	705,500	173,026
367,150	367,150	159,272
3,000	3,000	3,000
196,700	246,700	51,026
75,000	675,000	173,848
208,828	208,828	35,177
150,000	150,000	3,748
1,010,800	1,010,800	293,582
2,296,978	3,366,978	892,679
(465,517)	(465,517)	676,348
-	-	1,014,294
(465,517)	(465,517)	1,690,642
1,144,615	1,144,615	(86,329)
679,098	679,098	1,604,313

City of Woodbine  
Notes to Other Information – Budgetary Reporting  
June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2012, one budget amendment increased budgeted disbursements by \$1,070,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.



### **Supplementary Information**

City of Woodbine  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2012

	Special	
	Road Use Tax	Employee Benefits
Receipts:		
Property tax	\$ -	93,107
Tax increment financing collections	-	-
Other city tax	-	-
Intergovernmental	138,388	-
Total receipts	138,388	93,107
Disbursements:		
Operating:		
Community and economic development	-	-
Total disbursements	-	-
Excess of receipts over disbursements	138,388	93,107
Other financing uses:		
Operating transfers out	(60,000)	(93,107)
Net change in cash balances	78,388	-
Cash balances beginning of year	-	-
Cash balances end of year	\$ 78,388	-
<b>Cash Basis Fund Balances</b>		
Restricted for other purposes	\$ 78,388	-

See accompanying independent auditor's report

**Schedule 1**

Revenue		
Urban Renewal Tax Increment	Local Option Sales Tax	Total
-	-	93,107
36,964	-	36,964
-	93,165	93,165
-	-	138,388
36,964	93,165	361,624
24,071	-	24,071
24,071	-	24,071
12,893	93,165	337,553
-	(42,931)	(196,038)
12,893	50,234	141,515
17,113	1,993	19,106
30,006	52,227	160,621
30,006	52,227	160,621

City of Woodbine  
Schedule of Indebtedness  
Year ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Street improvement	Aug 1, 2003	3.00 - 4.25 %	\$ 1,530,000
Corporate purpose and refunding	Jun 8, 2012	0.50 - 2.25 %	1,790,000
Total			
Interim revenue debt financing:			
Water improvements	June 7, 2008	0 %	\$ 90,000

See accompanying independent auditor's report

## Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 855,000	-	855,000	-	34,752	-
<u>-</u>	<u>1,790,000</u>	<u>-</u>	<u>1,790,000</u>	<u>-</u>	<u>-</u>
\$ 855,000	1,790,000	855,000	1,790,000	34,752	-
<u>46,340</u>	<u>-</u>	<u>46,340</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Woodbine  
Bond and Note Maturities  
June 30, 2012

Year Ending June 30,	<b>General Obligation Bonds</b>	
	Corporate Purpose and Refunding Issued Jun 8, 2012	
	Interest Rate	Amount
2013	0.50 %	\$ 120,000
2014	0.65 %	140,000
2015	0.65 %	145,000
2016	1.00 %	145,000
2017	1.00 %	150,000
2018	1.25 %	150,000
2019	1.45 %	150,000
2020	1.65 %	150,000
2021	1.95 %	155,000
2022	1.95 %	160,000
2023	2.25 %	160,000
2024	2.25 %	165,000
Total		\$ <u>1,790,000</u>

See accompanying independent auditor's report.

City of Woodbine  
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds  
For the Last Eight Years

	<u>2012</u>	Unaudited <u>2011</u>	<u>2010</u>
Receipts			
Property tax	\$ 528,137	568,736	540,137
Tax increment financing collections	36,964	103,733	85,731
Other city tax	93,165	83,016	81,707
Licenses and permits	2,797	3,884	2,666
Use of money and property	2,483	3,915	7,366
Intergovernmental	965,986	544,758	420,251
Charges for service	64,090	58,887	60,621
Special assessments	382	1,722	1,833
Miscellaneous	<u>177,463</u>	<u>128,402</u>	<u>37,695</u>
Total	\$ <u>1,871,467</u>	<u>1,497,053</u>	<u>1,238,007</u>
Disbursements			
Operating:			
Public safety	\$ 532,474	248,983	290,670
Public works	207,878	423,086	225,364
Health and social services	-	8,000	3,350
Culture and recreation	195,674	169,764	197,995
Community and economic development	501,152	659,705	32,495
General government	173,651	132,421	52,614
Debt service	146,252	142,915	141,065
Capital projects	<u>-</u>	<u>-</u>	<u>362,510</u>
Total	\$ <u>1,757,081</u>	<u>1,779,874</u>	<u>1,306,063</u>

See accompanying independent auditor's report

Unaudited 2009	2008	Unaudited 2007	2006	Unaudited 2005
500,891	484,847	526,641	512,935	510,194
109,414	104,907	103,411	91,647	93,420
87,766	82,176	79,456	77,642	78,683
4,691	2,545	7,269	5,558	3,021
15,605	23,354	40,824	27,691	22,480
208,632	466,762	301,814	293,965	150,975
59,758	61,479	60,518	54,918	52,330
1,723	417	-	-	191
43,703	38,851	53,050	116,110	13,722
<u>1,032,183</u>	<u>1,265,338</u>	<u>1,172,983</u>	<u>1,180,466</u>	<u>925,016</u>
254,909	234,034	235,141	222,218	220,719
204,685	312,591	171,426	205,790	262,084
3,300	3,200	3,200	3,000	3,000
190,782	252,723	206,271	297,457	200,741
103,008	29,767	193,876	228,960	143,232
41,028	59,180	45,984	75,558	130,682
144,065	141,915	197,740	192,803	197,820
79,963	988,112	45,609	378,850	465,000
<u>1,021,740</u>	<u>2,021,522</u>	<u>1,099,247</u>	<u>1,604,636</u>	<u>1,623,278</u>



**City of Woodbine**



Diane McGrain, CPA  
Jim Menard, CPA

November 18, 2012

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit Performed  
in Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the remaining aggregate fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 18, 2012. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting, as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011. Except as noted in the Independent Auditors' Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Woodbine is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Woodbine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Woodbine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Woodbine's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

Continued...

City of Woodbine  
Independent Auditor's Report on  
Internal Control and Compliance

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Woodbine's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-12 through I-C-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-D-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woodbine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Woodbine's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Woodbine's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Woodbine and other parties to whom the City of Woodbine may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Woodbine during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schroer & Associates, P. C.*

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2012

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-A-12      Segregation of Duties

Comment – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one of the City's employees has control over payroll preparation and distribution.

One person has control over depositing; warrant writing, posting, and reconciling for the Library.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City and Library should review operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternative procedures.

Conclusion – Response acknowledged.

I-B-12      Financial Reporting

Comment – We noted that the computerized accounting system was converted during the year. However, beginning investments were not included in the fund balances. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure investments and investment transactions are included in the City's financial statements.

Response – We have adjusted our records and will record investment activity as it occurs.

Conclusion – Response accepted.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2012

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES**

I-C-12      Separate Board

Comment – The library board maintains the accounting records pertaining to the operations of the library. These transactions and the resulting balances are not recorded in the Clerk's records as required by Code of Iowa Chapter 384.20.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that, "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purposes." An accounting system for each board which will provide the necessary and required financial information should be implemented to comply with this code requirement. For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be reviewed at the transaction level and recorded in the Clerk's records.

Response – The library board does submit quarterly financial reports to the city. This triggers the City to make the quarterly payment to the library. We will consider recording the transactions in the Clerk's records.

Conclusion – Response accepted.

I-D-12      Credit Cards

Comment – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – Although we have not established a formal written policy detailing specifics on the use of City credit cards, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2012

**Part II: Other Findings Related to Statutory Reporting:**

II-A-12      Certified Budget

Disbursements during the year ended June 30, 2012 did not exceed the amended budgeted amounts.

II-B-12      Entertainment Expense – We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12      Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12      Business Transactions

Comment – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Randy Vandemark, owner of Vandemark Heating, Air Conditioning and Plumbing	Efficiency Furnaces	\$ 15,358

In accordance with Chapter 362.5(3)(K) of the Code of Iowa, the transactions with the Council Member appear to represent a conflict of interest since the total transaction with the individual was more than \$2,500 during the year.

Recommendation – The City should seek legal advice on this matter.

Response – We will do this.

Conclusion – Response accepted.

II-E-12      Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12      Council Minutes

Comment – No transactions were found that we believe should have been approved in the Council minutes but were not, except for approval of transfers between funds. Although minutes of Council proceedings were published, a summary of receipts and disbursements by fund were not included with the published minutes.

The City Council went into closed session on December 5, 2011. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2012

**Part II: Other Findings Related to Statutory Reporting (continued):**

II-F-12      Council Minutes (continued)

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should also publish all required information. The City should pass a resolution approving year end transfers.

Response – We will make publications as required and have modified our process to approve by resolution all transfers made during the year. We will also document the specific information regarding closed sessions.

Conclusion – Response accepted.

II-G-12      Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-12      Revenue Notes - The City has complied with provisions of the interim revenue debt financing.

II-I-12      Disbursements

Comment – The Library received the front image only of electronically retained checks.

Recommendation – The Library should request both the front and back images of checks in accordance with Chapter 554D.114(5) of the Code of Iowa.

Response – We will contact the bank to request this.

Conclusion – Response accepted.

II-J-12      Excess Balance

Comment – The balances in the Special Revenue Funds – Road Use Tax Account, Local Option Sales Tax Account, and the Enterprise Funds – Water and Sewer at June 30, 2012 were in excess of each fund's disbursements during the year.

Recommendation – The City should consider the necessity of maintaining the substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – The excess balances are considered necessary for the payment of future project costs and potential system issues.

Conclusion – Response accepted.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2012

**Part II: Other Findings Related to Statutory Reporting (continued):**

II-K-12      Urban Renewal Tax Increment Financing Debt

Comment – The City incurred TIF debt in 2011 for construction of a public works building and certified the debt to the county for the cost of the building. The debt was incurred by the General Fund, the Water Fund and the Gas Fund. However, a formal action was not taken by the City Council to approve the interfund loans.

Recommendation – Any TIF debt incurred internally should be documented as debt before it is certified.

Response – We will make the necessary resolution to document the interfund debt incurred.

Conclusion – Response accepted.





Diane McGrain, CPA  
Jim Menard, CPA

November 18, 2012

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 18, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 21, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City of Woodbine. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of City of Woodbine's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 6, 2012.

Continued...

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City of Woodbine  
Communication with Those Charged with Governance

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Woodbine are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

There were no significant accounting estimates since the financial statements were prepared on the cash basis of accounting. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or to the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 18, 2012.

Continued...

City of Woodbine  
Communication with Those Charged with Governance

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultation has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to the retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Woodbine, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

SCHROER & ASSOCIATES, P.C.

*Schroer & Associates, P.C.*